

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00 AID-05
COME-00 FRB-03 INR-07 XMB-02 OPIC-03 SP-02 LAB-04
SIL-01 OMB-01 SS-15 STR-06 CEA-01 PA-01 PRS-01
L-03 H-01 OIC-02 IO-13 /102 W
-----107183 231221Z /17

O R 231157Z JAN 78

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 2301

TREASURY DEPT WASHDC IMMEDIATE

INFO AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY BRUSSELS

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY STOCKHOLM

AMEMBASSY CANBERRA

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 01159

USOECD ALSO FOR EMBASSY
USEEC

FOR UNDER SECRETARY COOPER FROM AMBASSADOR BREWSTER

E.O. 11652: XGDS-1

TAGS: ETRD, OECD, EFIN

SUBJECT: EXPORT CREDITS: NEGOTIATIONS ON A NEW INTER-
NATIONAL ARRANGEMENT

REF: STATE 15691 STATE 15723

1. I CALLED ON CHANCELLOR HEALEY AT HIS RESIDENCE ON
FRIDAY AFTERNOON AND PRESENTED THE U.S. POSITION ON
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EXPORT CREDITS. I LEFT WITH THE CHANCELLOR A PAPER SUM-
MARIZING OUR MAIN POINTS, STRESSING THE NEED FOR EC ACCOM-
MODATION AND CONCLUDING WITH THE STATEMENT FROM THE APPEN-
DIX TO THE DOWNING STREET SUMMIT DECLARATION THAT "SUB-
STANTIAL FURTHER EFFORTS BE MADE...TO IMPROVE AND EXTEND
THE PRESENT CONSENSUS". IN CONVERSATION, I STRESSED THE
NEED TO PUT PRESSURE ON THE FRENCH TO SHIFT THEIR POSI-

TION AND CITED THE BENEFICIAL IMPACT THAT AN EXPANDED NEW INTERNATIONAL ARRANGEMENT COULD HAVE IN ALLEVIATING PROTECTIONIST PRESSURES.

2. IN REPLY, HEALEY SAID THAT HE AND THE UK SUPPORT THE CURRENT U.S. POSITION (AS DISTINCT FROM OUR INITIAL PROPOSALS WHICH HE ASSERTED HAD NO CHANCE OF ACCEPTANCE). HEALEY SAW THE PROBLEM AS RESTING WITH THE FRENCH (AND THE ITALIANS WHO HIDE BEHIND THE FRENCH) AND DOUBTED THERE WOULD BE MUCH CHANCE OF MOVING THE FRENCH BEFORE THEIR ELECTION. HE SAID HE WOULD RAISE THIS TOPIC NEXT MONTH WITH HIS EC FINANCE MINISTRY COLLEAGUES. HE HAD TAKEN BARRE ASIDE AT THE RECENT CHEQUERS MEETING AND SHARPLY CRITICIZED HIM FOR BREAKING THE CONSENSUS ON CREDITS TO RUSSIA. BARRE WAS SHAMEFACED OVER THIS. THERE IS HOWEVER A DIFFERENCE BETWEEN BREAKING THE CONSENSUS AND SIMPLY STICKING TO IT. HEALEY TWICE SAID THAT IF THE U.S. WERE TO FAIL TO RENEW THE EXISTING CONSENSUS BECAUSE OF FRENCH OPPOSITION TO THE NEW ARRANGEMENT, HEALEY IN TURN WOULD CRITICIZE US. HE STRESSED THE DISTINCTION BETWEEN THE FRENCH BREAKING THE CONSENSUS ON THE ONE HAND AND FAILING TO REVISE IT ON THE OTHER. HE THOUGHT THAT FOR THE U.S. OR THE EC TO MAKE A PUBLIC ISSU OF THE FRENCH POSITION PRIOR TO THE ELECTIONS WOULD BE COUNTERPRODUCTIVE.

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3. HEALEY SAID IT HAD TAKEN BARRE THREE MONTHS TO REPLY TO A LETTER FROM HIM CRITICIZING THE RUSSIAN DEAL. HE EXPECTED THE FRENCH WOULD PROBABLY "CLIFF HANG" AND PROCRASTINATE AS LONG AS POSSIBLE. HE WOULD CERTAINLY DO ALL HE COULD TO MOVE THEM, BUT ALL HE HAS IS "INFLUENCE" AND AS A RESULT OF PRESS LEAKS IN GERMANY ABOUT HIS LETTER TO BARRE, HE IS ALREADY JUDGED TO BE A "FRENCH BASHER ON THE GENERAL ISSUE. WHILE UNDERSTANDING AND SHARING OUR CONCERN, HE ALSO WONDERED IF WE HAD NOT SERIOUSLY UNDERMINED OUR POSITION BY HAVING STARTED IN SUCH AN EXTREME POSITION AND THEN HAVING GIVEN SO MUCH GROUND.

4. HEALEY HAD WITH HIM KEN COUZENS, SECOND PERMANENT SECRETARY (OVERSEAS FINANCE SECTOR), MALCOLM WIDDUP, UNDER SECRETARY (AID & EXPORT FINANCE GROUP) AND JOAN KELLEY, ASSISTANT SECRETARY (EXPORT FINANCE DIVISION). I WAS ACCOMPANIED BY THE TREASURY REPRESENTATIVES, JIM AMMERMAN AND ASHBY MCCOWN. IN ADDITION TO HEALEY'S COMMENTS WIDDU NOTED THAT THE FRENCH AND THE U.K. ARE WORRIED ABOUT INTEREST RATE INCREASES IN THE ARRANGEMENT AT A POINT WHEN GERMAN AND JAPANESE DOMESTIC INTEREST RATES ARE LOW AND CAN UNDERCUT OFFICIAL LENDING. KELLEY DOUBTED THAT

ANY PROGRESS COULD BE EXPECTED AT THE JANUARY 24 MEETING.
SHE THOUGHT THE FRENCH WOULD LISTEN BUT THAT VERY LITTLE
MOVEMENT COULD BE EXPECTED UNTIL AFTER THE FRENCH ELEC-
TIONS, ALTHOUGH SOME WORK MIGHT BE DONE BEHIND THE SCENES
COUZENS ADDED THAT TOO HARSH A REACTION AGAINST THE FRENCH

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FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 2302
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MIGHT ALSO STIR UP THOSE WHO FEEL THE DEPRECIATION OF THE
DOLLAR HAS ALREADY GIVEN THE U.S. A COMPETITIVE ADVANTAGE
HEALEY WAS QUICK TO ADD HE DID NOT SHARE THE VIEWS OF
THOSE WHO TOOK THIS POSITION, BUT THEN SAID THE UK TREAS-
URY --AND HE--HAVE BEEN NERVOUS BECAUSE OF THE RECENT
RISE IN THE POUND.

5. I AGREED WITH HEALEY ON HIS POLITICAL JUDGMENT--THAT
NOTHING COULD BE GAINED BY MAKING A PUBLIC ISSUE OF THIS
MATTER PRIOR TO THE FRENCH ELECTIONS--BUT IN DOING SO I

REITERATED OUR DEEP CONCERN AND DESIRE FOR AN IMPROVED
AGREEMENT. I EMPHASIZED THEIR FAILURE TO MAKE THESE
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RELATIVELY MODEST ADJUSTMENTS WOULD MAKE IT HARDER FOR
USG GO HOLD THE LINE AGAINST PRESSURE FOR MORE GENEROUS
UNILATERAL EXPORT CREDIT POLICY AS A WAY TO REDUCE THE
DOLLAR DEFICIT. I THANKED HIM FOR HIS PROMISE OF SUP-
PORT. THE EMBASSY WILL FOLLOW UP ON THIS IN FUTURE DIS-
CUSSIONS.

6. IN SEPARATE CONVERSATION, ECONOMIC MINISTER MILLER
TALKED WITH MICHAEL BUTLER, FCO, WHO SAID THE U.S. AND
BRITISH POSITIONS ARE PRETTY MUCH IN LINE, THE PROBLEM IS
THE FRENCH. BUTLER AGREED THAT HEALEY WAS THE RIGHT
MINISTER TO SEE.

7. TREASURY REPRESENTATIVE ALSO BRIEFED KEN TAYLOR,
DIRECTOR OF ECGD. TAYLOR'S REACTION WAS THAT THE U.K.
HEARTILY AGREES WITH OUR POSITION AND IS AS ANXIOUS AS WE
ARE TO STRENGTHEN THE CONSENSUS. THE TROUBLE IS WITH THE
FRENCH. THE PROBLEM WILL BE TO MOVE THEM IN THE FACE OF
THEIR EXISTING INTERNAL DIFFICULTIES.

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